



## Verint Spreads Position for Separation

**Ticker/Price:** VRNT \$41.25

### Analysis:

**Verint (VRNT)** yesterday with another 500 December \$45/\$55 call spreads bought and continues to build in open interest with 2,700 since 4/13. Yesterday's spreads also sold the \$35 puts while the December \$30 puts with 2,700 sold to open in OI from previous positions as well. The December \$60/\$70 call spread was bought in January with the \$50 puts sold to open, 1000X, which remains in OI. Shares are forming a bullish triangle after pulling back 45% from the February highs to multi-year volume support and bouncing. A move above \$44 and into a low-volume gap can have a quick move back to \$52. The \$2.58B software company trades 2.5X EV/sales and 6.5X cash with strong FCF. Their Current Ratio is 1.4X with Net Debt / EBITDA of 2.9X and they've been deleveraging since early 2018. Verint is a software company that focuses on customer engagement management, security and business analytics across large data sets. In December, the company announced a split with Customer Engagement and Cyber Security set to be two new companies. They also announced a \$200M minority investment from APAX Partners with another \$200M to be invested post-split. The former business assists call centers, back-office, branches, and other business units by simplifying customer-to-business interactions which allows them to make more informed decisions, more quickly and greatly increases retention, repeat business, and ROI. They do more than 3B customer interactions per year. Their Cyber Intelligence business uses AI to help businesses collect, analyze and investigate threats within a company's network. They have end-market exposure to large industrials as well as government. Last quarter was weak due to guidance being pulled due to COVID-19 as well as some contracts being pushed out into Q2 but overall enterprise cloud shift remains strong with Cloud Contracts TCV over \$1M up 93% and a growing list of partners like AMZN, FIVN, CRM, MSFT, and TWLO. Overall cloud revenue is now 46.4% vs 22.5% in 2019 while recurring revenue is 75.7%. The company continues to see their cloud transition complete within three years. Analysts have an average target for shares of \$59.50. Needham with a \$53 PT on 4-1 as the firm expects VRNT to show improved fundamentals as it transitions to more profitable business models in its segments. It should also benefit when it emerges from the current difficult environment with the spinout of its CI business also remaining on track. Short interest is 3.4% and down from 7% in June. Hedge fund ownership fell 5% in Q4. Activist RGM Capital a top holder with 2.4M shares, their second largest and a 7.65% weight. VRNT has potential catalysts upcoming from a pending tax ruling from both the IRS and ITA in Israel for the separation.

### Hawk Vision:



**Hawk's Perspective:** VRNT is an interesting, under-followed story with their split, potential IRS rulings and investments from APAX nice long-term catalysts to watch. Alert set at \$43.50.

**Confidence Ranking:** \$\$